

**VIRGINIA CORRECTIONAL ENTERPRISES
DEPARTMENT OF CORRECTIONS**

**REPORT ON AUDIT
FOR THE YEARS ENDED
JUNE 30, 2006 AND JUNE 30, 2007**



AUDIT SUMMARY

Our audit of Virginia Correctional Enterprises, a division of the Department of Corrections, for the years ended June 30, 2006, and June 30, 2007, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System and VCE's accounting records;
- four matters involving internal control and its operations necessary to bring to management's attention; and
- one matter of noncompliance with applicable laws and regulations.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDINGS AND RECOMMENDATIONS	1-3
AGENCY HIGHLIGHTS	
Financial Summary	4-5
Sales and Profit Information by Industry	5-7
Inventory Information by Industry	7
Future Industry Expansion	8
INDEPENDENT AUDITOR'S REPORT	9-10
AGENCY RESPONSE	11-16
AGENCY OFFICIALS	17

AUDIT FINDINGS AND RECOMMENDATIONS

Evaluate Approach to Delivery Operations

Annually, Virginia Correctional Enterprises (VCE) spends between \$500,000 and \$600,000 for overtime costs, of which more than \$175,000 or 30 percent represents overtime paid to delivery drivers. VCE management needs to evaluate alternative ways to provide delivery services to determine whether they are managing this aspect of their business in the most cost effective way.

This pattern of overtime for delivery drivers has been in place for several years and these employees consistently earn 50-85 percent of their regular salary in overtime. These costs total \$175,000 - \$200,000 annually and represents 10 percent of the agency's net income.

While VCE management monitors overtime on a monthly basis and states that overtime for delivery drivers is due to customer need and vacant driver positions, we believe they need to take a more proactive approach to address this issue. It appears this situation has been in place for several years and management needs to determine whether there are other alternatives that would be more cost beneficial, such as contracting out a portion of this function. We recommend management evaluate alternatives to determine if there is a more cost beneficial and effective way to manage this aspect of their operations.

Improve Controls for Calculating and Recording Overtime

VCE needs to strengthen controls for calculating overtime. During our audit, we observed various errors in calculating overtime amounts for delivery drivers. We selected a sample of overtime payments to delivery drivers for review and found the following.

- Overtime was not properly calculated in two (18 percent) out of 11 payments reviewed. In these cases, the driver did not calculate time correctly on the daily driving log and the supervisor did not detect the error. These errors resulted in overpayments of 1- 2 hours of overtime in each instance.
- VCE drivers complete a driving log each day. At the end of the week, the employee transfers these hours to a timesheet and signs the timesheet certifying the hours worked. In many cases, the supervisor uses the driving logs to complete the timesheet for the employees who are out driving, signs for the employee, and also approves the timesheet, creating a lack of segregation of duties.
- Federal Motor Carrier Safety Administration guidelines set requirements on how many consecutive hours a truck driver can drive. Our review of a sample of the driving logs indicates that VCE delivery drivers may not be complying with these requirements. These requirements state that a driver cannot drive beyond the 14th hour after coming on duty following 10 consecutive hours off duty. VCE has stated that they are not required to follow these federal guidelines; however, they have not developed their own policies.

VCE needs to strengthen procedures over the review and approval of these overtime costs. In addition, VCE needs to resolve whether or not they are required to follow Federal Motor Carrier Safety Administration guidelines. If they are not required to follow these guidelines, we recommend they develop their own internal policies using the federal guidelines as a basis.

Follow Job Validation Policies

VCE failed to fully follow their policies and procedures for conducting job validations. Job validations facilitate corrective actions when supervisors and staff find discrepancies in the manufacturing process or material and time usage. VCE uses a standard costing method to price the assembly and construction of all merchandise for sale. Having accuracy for standard costs for all phases of the manufacturing process including time and materials is essential for pricing goods and making a profit on their sale.

VCE's policies and procedures require supervisors and staff complete a Standards Validation Form and send it to the Industry Group Manager for approval once they complete a job. The Standards Validation Form documents the actual time and materials taken to complete a portion of the manufacturing process. The approved Validation Form goes to Codes and Standards at Central Office to review and analyze to determine if changes are necessary in the standard rates.

We reviewed supporting documentation for a sample of 16 job validations and found that three (19 percent) did not include the Industry Group Manager's indication of review and approval. We also found that the Tag industry did not meet the minimum number of job validations for one period. The Tag industry is required to have a minimum of one job validation every six months and VCE did not perform a job validation within the October 2006 to March 2007 six-month period.

We recommend that VCE enforce their policies and procedures to have the Industry Group Managers review and approve all job validation forms before sending them to Codes and Standards. This process will further ensure that the Industry Group Managers are following current procedures regarding the performance of the minimum number of job validations within the required time frames.

Follow Access Deletion Procedures

VCE has adequate policies and procedures for deleting access to their internal general ledger system, Syteline; however, we were not able to determine whether or not they were following their procedures due to a lack of documentation. We reviewed a sample of 17 terminated employees, but VCE only maintained documentation on Syteline access deletions for four of these employees.

Failure to control Syteline access could lead to individuals gaining improper entry into the system. We recommend that VCE follow their policies and procedures and keep all documentation of the deletion of employee access to their general ledger system. We also recommend management periodically review this documentation to ensure the proper deletion of all terminated employees access.

Properly Complete Employment Eligibility Verification Forms

VCE personnel are not properly completing Eligibility Verification Forms (I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the U. S. Department of Homeland Security. The guidance requires that the employer document the forms of identification shown by the employee that substantiates the employees' eligibility to legally work in the United States. The employer must document the Document Title, Issuing Authority, the Document Number, and the Expiration Date of the documentation, if any. Additionally, the employer or designated representative must complete, sign, and date the form within three business days of employment.

In our sample of 18 of these forms completed in fiscal year 2007, we found one or more errors on 12 of the forms as follows:

- the employer did not complete Issuing Authority in Section 2 under List B for 12 employees;
- two forms did not have the certifying agency's name and address completed and/or legible in Section 2, under the “certification” section; and
- one employer did not complete the document number in Section 2 under List B.

We recommend that management develop steps to review the I-9 process, train VCE staff on the requirements of completing I-9 forms, and develop procedures to review all or a sample of I-9 forms for compliance with federal regulations. Management should document in writing policies and procedures that are specific to the I-9 process. The federal government has increased its enforcement efforts requiring employers to ensure that all new employees are legally entitled to work in the United States. This increased enforcement increases the need for a documented I-9 process. Weaknesses in the I-9 process could result in fines and penalties against the agency.

AGENCY HIGHLIGHTS

The Virginia Department of Corrections has operated Virginia Correctional Enterprises (VCE) since 1934 as one of its many work programs for inmates. VCE is the only work program that is entirely self-sufficient, using sales revenue to pay for operations. The Code of Virginia requires VCE to provide job skill training and wage earning opportunities for Corrections' inmates. At June 30, 2007, VCE employed approximately 1,500 inmates housed in state correctional facilities. These inmates work in 13 different industries located in 15 state prisons and three off-site locations throughout the state. VCE also employs 175 civilian staff who work in the central office and warehouse in Richmond or in the various correctional facilities throughout the state.

Section 53.1-47 of the Code of Virginia requires all Commonwealth departments, institutions, and agencies, supported in whole or in part with funds from the state treasury, to purchase goods manufactured by VCE. Agencies must obtain a waiver in order to purchase the same goods VCE manufactures from another vendor. Currently, state agencies account for approximately 60 percent of sales, and colleges and universities account for approximately 35 percent. The Code of Virginia also allows counties, districts, cities, towns, non-profit organizations, volunteer lifesavings first aid crews, rescue squads, fire departments, sheltered workshops, and community service organizations to purchase from VCE. During fiscal year 2007, these types of customers accounted for approximately five percent of sales.

VCE is a self-sufficient operation, paying for all expenses from monies collected for sales of its goods and services. VCE receives no General Fund appropriations, relying totally on monies collected from sales. The following table summarizes the VCE's financial results for fiscal year 2006 and 2007.

Financial Summary

	<u>Year Ended June 30, 2007</u>	<u>Year Ended June 30, 2006</u>
Charges for sales and services	<u>\$48,736,411</u>	<u>\$47,538,896</u>
Cost of goods sold:		
Raw materials consumed	21,276,088	22,062,303
Inmate compensation	<u>1,629,590</u>	<u>1,751,164</u>
Total materials and labor	22,905,678	23,813,467
Manufacturing overhead	12,389,898	12,433,224
Administrative and warehouse expenses	<u>10,874,682</u>	<u>10,409,125</u>
Total cost of goods, overhead, and operating expenses	<u>46,170,258</u>	<u>46,655,816</u>
Operating income	2,566,153	883,080
Transfers to the General Fund	(1,021,630)	(1,069,927)
Other income	<u>403,567</u>	<u>392,094</u>
Non-operating revenues/(expenses)	<u>(618,069)</u>	<u>(677,833)</u>
Net income	<u>\$ 1,948,084</u>	<u>\$ 205,247</u>

Source: VCE financial statements

VCE sales increased approximately \$1.2 million from fiscal year 2006 to fiscal year 2007 resulting in increased net income. The increase in operating income in 2007 is also due to non-capital site improvements to the laundry facility in 2006. VCE also made transfers to the General Fund of the Commonwealth totaling a little more than \$1 million in 2006 and in 2007. The next section has further details on sales and profit for each industry.

Sales and Profit Information by Industry

VCE manages 13 different manufacturing and service industries in various correctional facilities throughout the state. They are listed below:

Clothing Plants - Halifax, Haynesville, Augusta, Fluvanna

Copy Shop - Atmore, State Corporation Commission, South Park Warehouse (Within Print Industry)

Dental Plant - Southampton

Laundry Plants - Virginia Correctional Center for Women (VCCW), Greenville

License Tag Plant - Powhatan

Metal Plants - Dillwyn, Buckingham

Microfilm Plant - VCCW

Office Systems - Brunswick

Optical Plant - Fluvanna

Plastic Bag - Indian Creek (Within Wood Industry)

Printing - Powhatan

Shoe Plant - Augusta

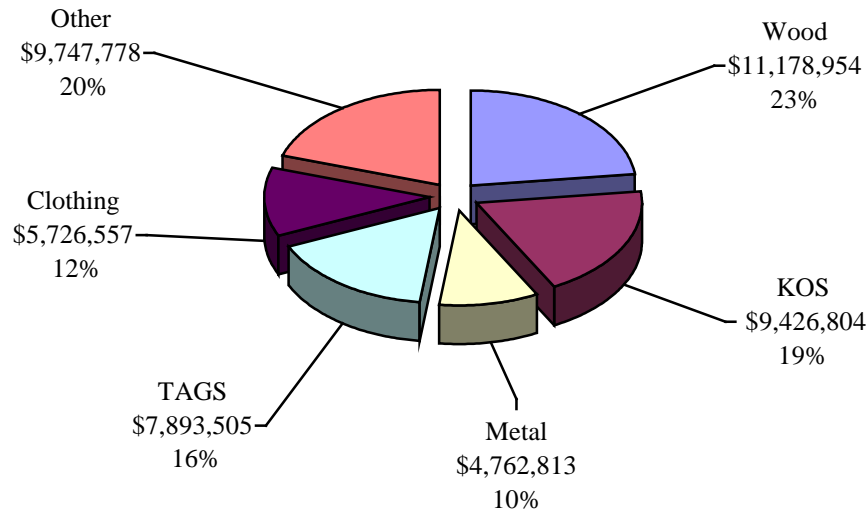
Vinyl binders/silkscreen – Powhatan

Wood Plants - Greenville, Lunenburg, Nottoway

Joint Venture (Automotive services) - Coffeewood, Sussex II

Of these industries, the wood industry is the largest in sales volume, accounting for over 24 percent of all sales in FY 2006 and 23 percent of sales in FY 2007. The wood plants manufacture office furniture, dorm furniture, and cabin furniture for state parks. Overall, there are five industries (wood, key office systems, tag, clothing, and metal) which account for 80 percent of all sales revenue for FY 2007 as shown in the following graph.

Sales Revenue by Industry for 2007



Source: VCE Financial Statements

Of the various industries, some have consistently earned a profit while others have had mixed results. Customer demand is the primary factor in determining which industries VCE will support. The following table shows sales as well as gross profits by industry for the last two years.

Sales and Gross Profit by Industry for 2006 and 2007

	<u>2006</u>			<u>2007</u>		
	<u>Sales Revenue</u>	<u>Gross Profit</u>	<u>Gross Profit as a percent of Sales</u>	<u>Sales Revenue</u>	<u>Gross Profit</u>	<u>Gross Profit as a percent of Sales</u>
Wood	\$11,410,550	\$ 2,094,606	18%	\$11,178,954	\$ 2,498,299	22%
Key Office Systems	9,191,538	2,967,566	32%	9,426,804	2,920,414	31%
License tags	7,995,646	3,863,584	48%	7,893,505	3,727,519	47%
Clothing	5,508,977	1,429,236	26%	5,726,557	1,490,450	26%
Metal	4,124,528	893,429	22%	4,762,813	1,374,963	29%
Laundry	3,558,589	(385,013)	(11%)	3,611,433	775,981	21%
Print	2,849,861	34,869	1%	3,404,788	252,099	7%
Automotive	1,308,675	38,759	3%	1,002,501	20,395	2%
Shoes	673,660	208,932	31%	767,745	297,055	39%
Vinyl Binders	503,248	(146)	0%	383,463	(173,423)	(45%)
Microfilm	221,071	114,053	52%	335,310	159,721	48%
Dental	103,958	10,829	10%	104,105	20,601	20%
Optical	<u>88,595</u>	<u>21,501</u>	24%	<u>138,433</u>	<u>76,761</u>	55%
Total	<u>\$47,538,896</u>	<u>\$11,292,205</u>		<u>\$48,736,411</u>	<u>\$13,440,835</u>	

Source: VCE Financial Statements

The license tag industry had consistently been the largest revenue producer with the highest gross profits for VCE prior to 2005. However due to high demands, office systems industry and wood industry sales were greater than license tags over the last two years; however, the license tag industry continues to generate the highest gross profit.

Inventory Information by Industry

VCE currently has 25 decentralized plant sites that produce finished goods for the 13 industries. In addition, VCE has a central warehouse that maintains some finished goods for shipment to its customers and is a second location for producing vinyl binders. The print shop, license tag, dental, and optical plants ship their finished goods directly from the manufacturing plant to the customer. VCE's inventory at the end of fiscal year 2006 and fiscal year 2007 was valued at over \$14 million. The following table shows the inventory balance by industry for each year.

Inventory by Industry (June 30, 2006 and June 30, 2007)

<u>Industry</u>	<u>2006</u>		<u>2007</u>	
	<u>Total</u> <u>Inventory</u>	<u>Percent to</u> <u>Total</u> <u>Inventory</u>	<u>Total</u> <u>Inventory</u>	<u>Percent to</u> <u>Total</u> <u>Inventory</u>
Wood (030)	\$ 4,598,259	32.5%	\$ 5,232,908	35.8%
Tag (081)	3,275,908	23.2%	2,218,660	15.2%
Office systems (132)	2,136,430	15.1%	3,084,374	21.1%
Clothing (050)	1,742,154	12.3%	1,493,356	10.2%
Metal (070)	1,525,019	10.8%	1,763,833	12.1%
Other	<u>868,865</u>	6.1%	<u>810,033</u>	5.5%
Total	<u>\$14,146,635</u>		<u>\$14,603,164</u>	

Source: Syteline System

The inventory balance consists of raw material, work-in-progress, and finished goods for all industries. Of the total inventory on hand at year-end for both fiscal years, five industries own approximately 94 percent of the inventory. The wood industry has the highest amount of inventory on hand at year-end due to the number of furniture orders they receive from agencies and universities towards year-end.

VCE maintains a perpetual inventory system. The plant staff performs a complete inventory count each February, instead of fiscal year end, due to increased orders and high production towards the end of the fiscal year. During the last quarter of the fiscal year, VCE increases the number of test counts at each plant to ensure that the plants are correctly reporting inventory balance at fiscal year end.

VCE values inventory at standard cost for financial reporting purposes on a monthly basis and uses the standard cost to help determine product pricing. For year-end financial reporting purposes, VCE sets inventory value to the lower of cost or market. VCE develops standard cost for material, labor, and manufacturing overhead. To ensure the accuracy of these standard costs, VCE requires each plant to sample a set amount of jobs and document actual cost. Based on these samples, VCE adjusts the system for variances between the sample and what the system estimates.

Future Industry Expansion

Due to statewide budget reductions, VCE is expecting a modest growth in sales for fiscal year 2008 and a 10 percent decrease for fiscal year 2009. However, VCE expects growth in document services of approximately 10 percent annually if VCE invests in new facilities, specifically by providing central locations for distribution and service.

Management expects Virginia college enrollment to continue to steadily increase creating a need for additional dormitory furniture, office systems, and executive and business furniture; however, the higher education restructuring efforts may impact VCE sales. Under the restructuring legislation, colleges and universities will have increased operational autonomy and may not have to purchase goods from VCE beginning in fiscal year 2008. For example, the University of Virginia, Virginia Tech, William and Mary, and Virginia Commonwealth University are no longer required to purchase goods from VCE.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

June 9, 2008

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of **Virginia Correctional Enterprises (VCE)**, a division of the **Department of Corrections** for the years ended June 30 2006, and June 30, 2007. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System and VCE's SyteLine system, review the adequacy of VCE's internal controls, test compliance with applicable laws and regulations and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

VCE's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Revenues and Cash Receipts
Expenditures, including Costs of Goods Sold
Inventory

We performed audit tests to determine whether VCE's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the agency's operations. We tested transactions and performed analytical procedures, including budgetary and trend analysis.

Conclusions

We found that Virginia Correctional Enterprises properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and SyteLine. VCE records its financial transactions in its accounting records on the accrual basis of accounting. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System as well as VCE's accounting records and financial reports.

We noted certain matters involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

VCE has taken adequate corrective action with respect to the audit finding reported in the prior year, entitled "Strengthen SyteLine User Access Procedures"; however, we did note a related matter that is included in the reported finding "Follow Access Deletion Procedures."

Exit Conference and Report Distribution

We discussed this report with management on July 25, 2008. Management's response has been included at the end of this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

LCR:wdh
wdh:24



COMMONWEALTH of VIRGINIA

TELEPHONE
ADMINISTRATION: 804-743-4103
CUSTOMER SERVICE: 804-743-4100
TOLL FREE: 800-823-2823

Department of Corrections
Virginia Correctional Enterprises

MAILING ADDRESS
8030 WHITE BARK TERRACE
RICHMOND, VA 23237
or
P. O. BOX 13799
RICHMOND, VIRGINIA 23225-3799

July 30, 2008

Mr. Walter J. Kucharski
Auditor of Public Accounts
P. O. Box 1295
Richmond, VA 23218

RE: Response to APA Audit Report on Virginia Correctional Enterprises for the years
ended June 30, 2006 and June 30, 2007

Dear Mr. Kucharski,

In accordance with Section No. 10205 of the Commonwealth's Accounting Policies and
Procedures Manual, enclosed is our response to APA's report on the audit of VCE for the years
ended June 30, 2006 and June 30, 2007..

Please let me know if you have any questions regarding this report.

Sincerely,

D.R. Guillory
CEO, VCE

Enclosure

CC: See attached Distribution List



MANAGEMENT'S RESPOSE TO APA AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2007

Evaluate Approach to Delivery Operations

Annually, Virginia Correctional Enterprises (VCE) spends between \$500,000 and \$600,000 for overtime costs, of which more than \$175,000 or 30 percent represents overtime paid to delivery drivers. VCE management needs to evaluate alternative ways to provide delivery services to determine whether they are managing this aspect of their business in the most cost effective way.

This pattern of overtime for delivery drivers has been in place for several years and these employees consistently earn 50-85 percent of their regular salary in overtime. These costs total \$175,000 - \$200,000 annually and represents 10 percent of the agency's net income.

While VCE management monitors overtime on a monthly basis and states that overtime for delivery drivers is due to customer need and vacant driver positions, we believe they need to take a more proactive approach to address this issue. It appears this situation has been in place for several years and management needs to determine whether there are other alternatives that would be more cost beneficial, such as contracting out a portion of this function. We recommend management evaluate alternatives to determine if there is a more cost beneficial and effective way to manage this aspect of their operations.

VCE RESPONSE

Management concurs with APA's recommendation to try and find alternative ways to reduce overtime cost.

ACTION: Perform analysis of ways to verify if a reduction of overtime costs can be performed by VCE.

RESPONSIBILITY: Transportation Manager, Warehouse Manager

DUE DATE: 2ND Quarter, FY2009

Improve Controls for Calculating and Recording Overtime

VCE needs to strengthen controls for calculating overtime. During our audit, we observed various errors in calculating overtime amounts for delivery drivers. We selected a sample of overtime payments to delivery drivers for review and found the following.

- Overtime was not properly calculated in two (18 percent) out of 11 payments reviewed. In these cases, the driver did not calculate time correctly on the daily driving log and the supervisor did not detect the error. These errors resulted in overpayments of 1-2 hours of overtime in each instance.

- VCE drivers complete a driving log each day. At the end of the week, the employee transfers these hours to a timesheet and signs the timesheet certifying the hours worked. In many cases, the supervisor uses the driving logs to complete the timesheet for the employees who are out driving, signs for the employee, and also approves the timesheet, creating a lack of segregation of duties.

VCE RESPONSE

Management concurs with the finding and attributes it to human error. Management will stress the importance of properly reviewing timesheets to ensure overtime calculations are correct.

ACTION: Issue guidance to supervisors that ensure employees sign their timesheets

RESPONSIBILITY: Human Resources Manager

DUE DATE: 1st Quarter, FY2009

- Federal Motor Carrier Safety Administration guidelines set requirements on how many consecutive hours a truck driver can drive. Our review of a sample of the driving logs indicates that VCE delivery drivers may not be complying with these requirements. These requirements state that a driver cannot drive beyond the 14th hour after coming on duty following 10 consecutive hours off duty. VCE has stated that they are not required to follow these federal guidelines; however, they have not developed their own policies.

VCE needs to strengthen procedures over the review and approval of these overtime costs. In addition, VCE needs to resolve whether or not they are required to follow Federal Motor Carrier Safety Administration guidelines. If they are not required to follow these guidelines, we recommend they develop their own internal policies using the federal guidelines as a basis.

VCE RESPONSE

VCE will implement safety standards for hours of service even though management contends that as a state agency, we are exempt from Federal Motor Carrier Safety Administration guidelines for hours of service based on the following:

- [1] Federal Motor Carrier Safety Administration, Rules & Regulations Subpart A - General Applicability and Definitions, section §390.3(f)(2)
- [2] Advice given to VCE by the Virginia State Police
- [3] Federal Motor Carrier Safety Administration, Rules & Regulations, Guidance section of the FMCSA web site - §390.3 General Applicability (<http://www.fmcsa.dot.gov/rules-regulations/administration/fmcsr/interp390.3.htm>) questions 9 & 19.

ACTION:

VCE has implemented Virginia Correctional Enterprises (VCE) Transportation Drivers Safety and Hours of Operation Procedures using the Federal Motor Carriers Safety Administration Hours-of-Service (HOS) regulations (49 CFR, Part 395) as a reference. These procedures bring

VCE in line with Federal Motor Carrier Safety Administration, Rules & Regulations, - 49 CFR Chapter III, Subchapter B, part 355, Compatibility of State Laws and Regulations.

RESPONSIBILITY: Operation Managers

DUE DATE: 1st Quarter, FY2009

Follow Job Validation Policies

VCE failed to fully follow their policies and procedures for conducting job validations. Job validations facilitate corrective actions when supervisors and staff find discrepancies in the manufacturing process or material and time usage. VCE uses a standard costing method to price the assembly and construction of all merchandise for sale. Having accuracy for standard costs for all phases of the manufacturing process including time and materials is essential for pricing goods and making a profit on their sale.

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We recommend that VCE enforce their policies and procedures to have the Industry Group Managers review and approve all job validation forms before sending them to Codes and Standards. This process will further ensure that the Industry Group Managers are following current procedures regarding the performance of the minimum number of job validations within the required time frames.

VCE RESPONSE: Management concurs with APA's recommendation.

ACTION:

Revise job sampling procedure.
Job Sampling Procedure Revision effective 06/01/2008.
Email revision notice to plants dated 05/29/08.

RESPONSIBILITY: Operation Managers

DUE DATE: 4th Quarter FY2008

Follow Access Deletion Procedures

VCE has adequate policies and procedures for deleting access to their internal general ledger system, Syteline; however, we were not able to determine whether or not they were following their procedures due to a lack of documentation. We reviewed a sample of 17 terminated employees, but VCE only maintained documentation on Syteline access deletions for four of these employees.

Failure to control Syteline access could lead to individuals gaining improper entry into the system. We recommend that VCE follow their policies and procedures and keep all documentation of the deletion of employee access to their general ledger system. We also recommend management periodically review this documentation to ensure the proper deletion of all terminated employees access.

VCE RESPONSE:

Management concurs with APA's recommendation.

ACTION: Review procedures and modify, as necessary to ensure that system access and deletion is properly documented.

RESPONSIBILITY: Information Technology Manager

DUE DATE: 1st Quarter FY2009

Properly Complete Employment Eligibility Verification Forms

VCE personnel are not properly completing Eligibility Verification Forms (I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the U. S. Department of Homeland Security. The guidance requires that the employer document the forms of identification shown by the employee that substantiates the employees' eligibility to legally work in the United States. The employer must document the Document Title, Issuing Authority, the Document Number, and the Expiration Date of the documentation, if any. Additionally, the employer or designated representative must complete, sign, and date the form within three business days of employment.

In our sample of 18 of these forms completed in fiscal year 2007, we found one or more errors on 12 of the forms as follows:

- the employer did not complete Issuing Authority in Section 2 under List B for 12 employees;
- two forms did not have the certifying agency's name and address completed and/or legible in Section 2, under the "certification" section; and
- one employer did not complete the document number in Section 2 under List B.

We recommend that management develop steps to review the I-9 process, train VCE staff on the requirements of completing I-9 forms, and develop procedures to review all or a sample of I-9 forms for compliance with federal regulations. Management should document in writing policies and procedures that are specific to the I-9 process. The federal government has increased its enforcement efforts requiring employers to ensure that all new employees are legally entitled to work in the United States. This increased enforcement increases the need for a documented I-9 process. Weaknesses in the I-9 process could result in fines and penalties against the agency.

VCE RESPONSE:

Management concurs with APA's recommendation.

- ACTION:**
1. All active files will be reviewed to ensure proper procedure is being followed.
 2. I-9 forms will be prepared in advanced ensuring, as much as possible, all pertinent info is included.
 3. I-9 forms will be reviewed by members of the HR staff before being submitted.
 4. VCE's Human Resources Department will adhere to the DOA I9 Written Procedures.

RESPONSIBILITY: HUMAN RESOURCES MANAGER

DUE DATE: 4th QUARTER FY 2008

AGENCY OFFICIALS

DEPARTMENT OF CORRECTIONS

VIRGINIA CORRECTIONAL ENTERPRISES
As of June 30, 2007

Gene M. Johnson, DOC Director

N. H. “Cookie” Scott, Deputy Director of Administration

Don Guillory, VCE Chief Executive Officer

James Sacher, VCE Business Manager

